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FISCAL IMPACT STATEMENT

LS 7528

BILL NUMBER: SB 555

NOTE PREPARED: Jan 11, 2011

BILL AMENDED:

SUBJECT: Appraisal Management Companies.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Real Estate Appraisers-* The bill amends the definition of "mortgage loan" in the statute concerning real estate appraisals to specify that the term does not include a land contract. The bill provides that in the case of a real estate transaction that involves a residential mortgage loan, a person may not engage in any act or practice that violates the appraisal independence standards set forth in the federal Truth in Lending Act.

Broker Price Opinions- The bill provides that in a real estate transaction that involves the purchase of a consumer's principal dwelling, a broker price opinion may not be used as the primary basis to determine the value of any property for the purpose of originating a residential mortgage loan secured by the property.

Registration Exemption- The bill provides that an appraisal management company that is a subsidiary of a financial institution regulated by a federal financial institution regulatory agency is not required to obtain a certificate of registration from the Real Estate Appraiser Licensure and Certification Board (REALCB) in order to perform appraisal management services in Indiana.

Interest in Property- The bill provides that an appraisal management company that provides appraisal management services in connection with a real estate transaction that involves a residential mortgage loan may not have a direct or indirect interest in the property or transaction for which the appraisal management services are provided.

Licensed Real Estate Brokers- The bill specifies that an appraisal management company may hire a licensed real estate broker to perform an appraisal only if the transaction that is the subject of the appraisal is not a federally related transaction subject to the federal Financial Institutions Reform, Recovery, and Enforcement

Act)FIRRAEA).

Appraisal Reviews- The bill provides that an individual who performs an appraisal review must be a licensed or certified appraiser. (Current law allows: (1) a licensed or certified appraiser; or (2) a licensed real estate broker; to perform an appraisal review.) Makes a technical change.

Effective Date: Upon passage.

Explanation of State Expenditures: *Licensed Real Estate Brokers-* Appraisal management companies that hire licensed real estate brokers to appraise the property of a federally related transaction under the federal FIRRAEA would be subject to the civil remedies available under current state law. Remedies include cease and desist orders sought by the State Attorney General (AG). Therefore, this provision could increase the AG's administrative workload by an indeterminable amount, dependent on the number of complaints received from the Real Estate Appraiser Licensure and Certification Board.

Interest in Property- The AG and the REALCB could see an increase in their administrative workload of an indeterminable amount, dependent on the number of complaints received of appraisal management companies providing appraisal services on a property or transaction that have an interest in the property or transaction.

The AG or the REALCB would have to carry out these provisions within their existing level of resources.

Explanation of State Revenues: *Registration Exemption-* There may be a slight reduction in revenue from registration fees generated from appraisal management companies that are subsidiaries of a federally regulated financial institution. Given the effective date of the original provision to require registration was July 1, 2010, there are likely not many appraisal management companies that have registered. As of September 15, 2010, there were no appraisal management companies yet registered.

Background Information- There are currently approximately 110 banks and 150 credit unions that are federally regulated in Indiana.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: REALCB; AG.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Professional Licensing Agency; John Schroeder, Deputy Director, Department of Financial Institutions.

Fiscal Analyst: Chris Baker, 317-232-9851.